

Conclusions

The main purpose of our research was to determine the main motives for SWF investments in CEE countries. We considered if commercial goals are the only reason behind their entering regional markets or there are other, political motives. If they are politically biased, do they pose any threat for the stability and security of the CEE countries?

The main conclusion of our work could be summarized in five points presented below:

1. SWFs were in analysed period of time not very active in the region

Despite ongoing convergence with western European countries, the financial markets of CEE still remains underdeveloped. It results primarily with their limited size that made them illiquid and more vulnerable for external shocks. These weaknesses seem to lay behind the low level of financial engagement of SWFs in the region. SWFs seek efficient, abundant and liquid capital markets to accommodate their rising assets. The CEE markets are much less attractive than Western European.

For the bulk of SWF investments in the region has been responsible Norway's fund. Other funds have been relatively cautious towards investing in the CEE economies. Taking into consideration announcements of some SWFs owners (e.g. China) we can suppose that those situation is probably going to change in the future.

2. SWFs are political instruments of states

SWFs are not independent political actors but rather states' investment arms that can be instrumentally use to pursue political and economic power. Therefore, the political significance of SWFs, its stabilising or destabilising inclinations, are a function of their sponsoring states. In one set of circumstances a given SWF can be steered only by commercial motives, but in another the very same SWF can realise the political strategy of its state. Moreover, those two motives can coexist in the same time. In consequence, it is no sense in analysing the SWFs behaviours separate from the political interests of states that control them. In this context also making any strong conclusions about the motives of the SWFs, seems to be not possible. They are as diverse and changing in time as policies of the owner states.

SWF activities in the particular country or region could be potentially harmful only when the donor state have interests in it. Unless the SWF owner does not have vital national interests in the region, the risk of hostile manoeuvring via SWFs is limited. Due to this fact, all analyses of funds activities have to include an assessment of the political interest of their owners in a particular state or region.

3. There are some risks related to the SWFs activities in the CEE

We have found three types of risks regarding usage of SWFs by sponsoring states, that seem to be particularly important from the perspective of CEE countries. Firstly, SWFs are convenient to use leverage on a host country. All CEE states have to actively search for foreign capital and investment promises from foreign financial institutions are very much welcomed. It provides space for political pressure from states behind potential investors. Secondly, SWFs could be used to exercise control over strategic resources or critical infrastructure. Thirdly, through SWFs foreign countries could search for hostile take overs and getting access to privileged technological and military know-how.

4. There is no evidence of any hostile actions of the SWFs in the CEE

Neither SWFs investment record in the CEE, nor in-depth case studies analyses of three major SWFs holders active in the region, give grounds to corroborate the hypothesis about potential security threats linked with the SWFs. Hitherto, SWFs investments in the CEE were mainly financially motivated and did not pose any major political problem for Poland and other countries in the region. Any from the three above mentioned risks related to the SWFs operations has materialised. The only one case, when political motivation of investments is possible to prove is Norwegian GPF Global. That fund officially incorporated non-commercial motives into its decision-making process, however in a way that hardly can be perceived as “hostile” for the recipients of their investments. Through its SWF the Norwegian government try to promote good corporate governance practices, human rights or environmental issues, what is rather beneficial for the CEE countries.

5. Concerns over SWF activity are legitimate

This monograph has demonstrated that the bulk of concerns regarding SWF investments in the CEE is rather unfounded. However, from the fact that something has not occurred in the past, one should not infer that it is impossible in the future. Quite the contrary, we have argued that SWFs, being political instruments of in the hands of their creators, may be potentially dangerous. Therefore, CEE countries should employ political strategies to monitor SWFs investments. It will permit them to react whenever SWFs should act in a way that threatens national security.

In this vein, the need to upgrade SWF transparency outweighs any other goals to be pursued by host countries with regard to policy choices pertinent to SWF investments. Ultimately, an international regulatory initiative designed to improve SWF disclosure standards needs to be launched (accompanied by a catalogue of regulatory responses if such standards are not met).

It is an open question if relatively small CEE countries are capable of implementing an effective monitoring regime on an individual or even regional basis. As aforementioned, wider international cooperation, perhaps at pan-EU level, is requisite to ensure that benefits from capital inflows are not to be squandered through disruptive practises followed by SWFs.